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FISCAL IMPACT STATEMENT

LS 7368

BILL NUMBER: HB 1275

NOTE PREPARED: Jan 13, 2004

BILL AMENDED:

SUBJECT: State Contracting.

FIRST AUTHOR: Rep. Dvorak

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ **GENERAL**
☐ **DEDICATED**
☐ **FEDERAL**

IMPACT: State

Summary of Legislation: This bill provides a 10% price preference to Indiana businesses for public works and contracts for services and supplies awarded by the state. It provides that to be considered responsible, an offeror for a purchase by the state that is required to register with the Secretary of State must have registered at least 45 days before the solicitation for the purchase is issued. The bill provides that a contract for services entered into by a state agency must specify that only citizens of the United States and individuals authorized to work in the United States may be employed in the performance of services under the contract or any subcontract.

Effective Date: July 1, 2004.

Explanation of State Expenditures: This bill will increase the administrative cost of the Department of Administration insofar as the Department will be required to develop and revise its contracting requirements. It is presumed that any additional administrative cost could be absorbed using existing staff and resources.

Indiana Business Price Preference: The bill establishes a 10% price preference on certain bids placed by qualified firms domiciled in Indiana for public works, service, and procurement contracts. The price preference allows qualified Indiana firms to bid for a public works or procurement contract at 10% over the amount bid for the contract by businesses located out of state, and other things being equal, win the state contract. For example, if the state requests bids on a procurement contract and receives two bids, one from a firm located out of state at \$10,000 and one from a qualified Indiana firm for \$10,999, other things being equal, the bill would require the state agency to procure the item from the qualified Indiana firm.

A specific fiscal analysis of the proposal is indeterminable as it will depend on the marketplace's response

to the preference. While the price preference for qualified Indiana firms could encourage out-of-state offerors to lower their bids for public works, service, and procurement contracts to become more competitive, it is presumed that the preference would increase the state's contracting costs.

State Service Contract Requirements: The bill also limits state agencies to entering into service contracts with firms that employ U.S. citizens or individuals authorized to work in the U.S. to perform the contracted service. To the extent that this provision could potentially diminish the pool of eligible service providers that can bid for state service contracts, state contracting costs could increase.

A specific fiscal analysis of the proposal is indeterminable as it will depend on the marketplace's response to the preference. It is presumed that only a very limited number of service contracts would be affected by this provision.

Background Information: The Department of Administration took a snapshot of the state's current contracts to determine the shares of contracts that go to out-of-state firms. Their analysis revealed the following:

<u>Type of Purchase/ Contract</u>	<u>Percent Fulfilled by Out-of-State Firms</u>
Public Works Contracts	6 %
Procurement Contracts	39 %
Quantity Purchase Agreements	15 %

Explanation of State Revenues: *Secondary Impact:* If the price preferences in the bill encourage more business activity in the state, revenue from the state's corporate, income, and sales taxes would increase.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of Administration; Secretary of State; State agencies that contract for services.

Local Agencies Affected:

Information Sources: Department of Administration.

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